

# Housing: Revitalizing Ohio's Neighborhoods

Stable, affordable housing is critical to ensuring strong neighborhoods, schools, and communities. Over the last decade and a half, Ohio experienced a slow and drawn-out housing crisis. A number of factors including the erosion of our domestic manufacturing base, the spread of predatory lending, and the financial crisis led to 14 consecutive years of increasing foreclosures in Ohio. Foreclosures affect the property values of surrounding homes and lead to vacant lots vulnerable to crime. Tackling Ohio's housing challenges requires wide-ranging and comprehensive action. That is why Sen. Brown championed various proposals to help fix the housing market – from preventing foreclosures to streamlining short sales to redeveloping communities hit hard by the foreclosure crisis.

## Facilitating Short Sales

Nearly one-third of Ohio homeowners owe more on their mortgages than their homes are currently worth. For underwater homeowners who decide it's time to move on, a short sale is their only option. Unfortunately, big banks have been extremely slow in responding to short sale offers, and as a result, too often one of the parties to the transaction walks away from the deal. In February, Sen. Brown introduced the bipartisan *Prompt Notification of Short Sales Act*, a proposal to require that banks respond to short sale offers within 75 days. In April, the Federal Housing Finance Agency announced that it will require mortgage servicers to review and respond to short sale requests within 30 days of an offer on the property and make a final decision within 60 days of receiving the offer.

## Providing Tax Relief to Homeowners

With the Ohio housing market recovering slowly, homeowners should not be hit with an unfair tax bill. In 2007, Congress enacted legislation to relieve homeowners of the requirement to pay taxes on mortgage debt forgiven through transactions like mortgage modifications and short sales. This was extended in 2009, but it expires at the end of 2012. Sen. Brown is an original cosponsor of the bipartisan *Mortgage Forgiveness Tax Relief Act* that would preserve this vital homeowner tax relief provision.



## Protecting Servicemembers and Veteran Homeowners

Servicemembers who risk their lives to protect our nation shouldn't have to worry about predatory banking practices or losing their homes. The *Servicemembers Civil Relief Act* (SCRA) protects active servicemembers against default judgments, evictions, mortgage foreclosures, and repossessions of property. Banks have admitted to violating the SCRA, resulting in military personnel and their families paying significantly more interest than permitted by law, and in some cases losing their homes to unlawful foreclosures. Sen. Brown wrote to the U.S. Department of Justice and Holly

Petraeus of the Consumer Financial Protection Bureau (CFPB) about this issue, urging them to provide greater protections for servicemembers. In June, Sen. Brown introduced the *Servicemember Protection Act* to strengthen SCRA provisions for active-duty military that are homeowners. The bill would prevent judgments against a servicemember when he or she cannot appear in court due to military service and would increase civil penalties for banks that violate the SCRA and wrongfully foreclose on servicemembers' homes. It would also expand the U.S. Department of Justice's authority to investigate wrongful foreclosures on servicemembers' homes.

## Preserving Our Neighborhoods



Foreclosure should be a last resort, and financial institutions have an obligation to Ohio's communities to care for the properties that they own. Sen. Brown is fighting to end Ohio's foreclosure crisis and to hold bad actors accountable. In August 2010, Sen. Brown heard from community groups in Cleveland that banks servicing Federal Housing Administration (FHA)-insured mortgages were allowing properties to slip into disrepair. In response, Sen. Brown met with FHA Commissioner David Stevens, sent a letter to acting FHA commissioner Robert Ryan,

and again raised the issue with FHA nominee Carol Galante. In June, FHA issued new guidance that clarified banks' responsibility to maintain properties in compliance with local health and safety codes, as Sen. Brown requested.

## Protecting Ohio's Public Pension Plan Investments in Mortgages

In February, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development (HUD), federal bank regulators, and 49 state attorney generals announced a settlement with the five largest mortgage servicers for foreclosure-related violations. During the negotiations, Sen. Brown urged the parties to consider the interests of investors in mortgage securities, namely the nearly \$1.5 billion in investments made by Ohio's four public employee pension funds. He believes that banks should not receive credit under the settlement for writing down mortgages owned by someone else – in this case, Ohio retirees. In May, after the settlement was announced, Sen. Brown and Sen. Bob Corker (R-TN), urged the agencies administering the settlement to take steps to protect mortgage investors.